

WATER/FLC:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

**RESOLUTION NO. W-4325
February 21, 2002**

R E S O L U T I O N

**(RES. W-4325), VALENCIA WATER COMPANY (VWC). ORDER
AUTHORIZING A DECREASE IN RATES BY 4.85 PERCENT.**

SUMMARY

By Advice Letter (AL) No. 97, filed February 1, 2002, VWC seeks to decrease rates in order to reduce revenues by \$770,000 or 4.85%. This resolution approves that request on less than statutory notice.

BACKGROUND

VWC's last general rate proceeding was A.94-04-033, April 19, 1994, approved by D.94-12-020, December 7, 1994. Since that time VWC has experienced significant customer growth. The Office of Ratepayer Advocates (ORA) recently reviewed VWC earnings and advised the company that it should file a general rate case because rates probably should be reduced. After discussions with ORA, VWC filed AL No. 97 seeking a rate reduction of 4.85%. The reason they chose a 4.85% decrease is because, when this decrease is analyzed using the weather-normalized means test, the rate of return is 9.39%, slightly less than the 9.4% last authorized by the Commission in D.94-12-020.

VWC has committed to filing a Notice of Intent for a general rate proceeding by March 31, 2002.

DISCUSSION

The Commission must balance rates and service quality. Because this rate decrease will return the utility to its last authorized rate of return, it will clearly be earning enough to not jeopardize service quality.

Normally, rate decreases do not require Commission approval and, absent Commission action, this advice letter would become effective on 40-day notice. However, because this reduction is significant, staff believes that the Commission should take action to make the decrease effective as soon as possible. VWC does not request any specific effective date in the advice letter. Because the advice letter was filed on February 1, 2002, normal statutory notice would make the decrease effective March 13. By passing this resolution, the Commission will make the decrease effective February 22, 2002. Since the protest period for advice letters is 20 days, the protest period ends on February 21, 2002, the date of this Commission meeting, so the advice letter cannot become effective on that date. Therefore staff recommends that the rate decrease become effective on February 22, 2002, contingent upon no protests being received by February 21st.

If a protest is received on or before February 21st, staff will inform the utility and rates will not change. Staff will evaluate the protest and either respond to the protestant if the protest is not relevant, informing the utility to decrease rates, or draft a resolution if the protest is relevant, so that the Commission can decide whether rates should decrease considering the issues in the protest.

NOTICES AND PROTESTS

The original advice letter was sent to nearby municipalities and water utilities. Customer notice of the decrease is not required. No protests have been received.

FINDINGS AND CONCLUSIONS

1. By Advice Letter No. 97, Valencia requests a rate decrease of 4.85 percent.
2. Valencia Water Company is a financially secure water utility. This decrease will not have any detrimental impact on its ability to provide water service.
3. The advice letter should be approved on less than statutory notice to allow the decrease to occur as soon as possible.
4. The advice letter should not be approved before the protest period has ended.

THEREFORE IT IS ORDERED THAT:

1. Valencia Water Company's Advice Letter No. 97 is approved, effective February 22, 2002, if it has not been protested.
2. If a protest is received on or before February 21, 2002, the rate decrease shall be delayed until the protest has been evaluated.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on February 21, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director